

UNDERSTANDING PROPERTY TAXES

We designed this information sheet to provide you with basic knowledge about how the Montana property tax system works. We encourage you to contact your local Department of Revenue office if you need additional information or have questions.

Property Taxes in Montana

Why do we have property taxes?

In Montana, property taxes help pay for local government services such as schools, roads and bridges, as well as fire and police protection. You and other property owners support these services by paying property taxes as required by state law.

Under Montana's system of property taxation, you and other property owners pay property taxes in proportion to the value of your property. Higher taxes are paid on more expensive properties; lower taxes are paid on less expensive properties.

How is the value of my property determined?

In a process called appraisal, we analyze and assign a value to all taxable property in the state. We follow state guidelines to do our appraisals ensuring all properties are treated in a fair and equitable manner.

Property value (market or productivity)

Property taxes are based on the value of the property. We use four basic approaches to determine property value.

- ❶ The *sales comparison approach* compares your property to other similar properties that have recently sold in your area, taking into account any differences between those properties and yours.
- ❷ The *cost approach* is based on using the current replacement cost of improvements, less depreciation, plus land value.
- ❸ The *income approach* is used to value commercial properties when income (rents) and expenses can be compared.
- ❹ The *productivity approach* values agricultural and forest land based on the amount of crops or timber that can be grown on the land under normal management.

In order to determine the taxable value of your property, we multiply the appraised value by a tax rate that is set by the Montana Legislature.

$$\text{Value} \times \text{Tax Rate} = \text{Taxable Value}$$

How is my property tax determined?

Property taxes are calculated by multiplying this taxable value by the mill levy established by various taxing jurisdictions (city and county government, school districts and others) to determine the amount of general property taxes you owe on your property. Mill levies are established by the various taxing jurisdictions so that they can meet revenue needs and provide services in your area. Your county treasurer is responsible for billing and collecting property taxes.